International Business Law

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DISTRIBUTION AGREEMENT

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Definition

One of the most common types of business opportunity ventures, **a distributor or dealer is an independent agent who's entered into an agreement to offer and sell the product of another company,** but isn't entitled to use the manufacturer's name as part of its business name.

Depending on the agreement, the distributor may be limited to selling only that company's goods or it may have the freedom to market several different product lines or services from various firms.

and

The distribution agreement is the contract between a company in need of having its products distributed and the distributor who is specialized in providing

An enterpreneur who wants to sell his products abroad might chose

Open a branch in the new country

$\neq$

Sign a distributorship agreement

A company can choose between hiring its own sales people to distribute its products or it can use distributors to provide the same function.

Most small businesses use distributors because it is less expensive, facilitates cash flow and because distributors have more knowledge and experience in the market area. The distribution agreement is the contract between a company in need of having its products distributed and the distributor that specializes in providing

The Distributor Function

The distributor provides many infrastructure resources that a company would have to duplicate if it elected to hire a sales force. The company would have to first hire a sales force. The distributor already has a sales force in the market with established customer relationships.

The distributor warehouses the product. Most important, the distributor assumes the risk for selling the product. That is, the distributor buys the product from the company and takes the risk of reselling the product to retailers or to final end-users. This is invaluable to a company's cash flow. In addition, the distributor provides a range of after-sale services such as technical support and repairs and servicing that would be costly if not impractical to do in-house.

DISTRIBUTORSHIP can be distiguished into

EXCLUSIVE	**NON EXCLUSIVE**

Non-Exclusive Distribution Agreements

The non-exclusive distribution agreement lets the company appoint multiple distributors within a geographic territory, by market segmentation or by whatever distribution criteria deemed relevant.

Typically, distributors bound to non-exclusive distributor agreements can carry products from competing companies.

Non-exclusive agreements tend to be preferred by companies and opposed by distributors.

Companies want to evaluate distributor performance before committing to exclusivity.

Distributors counter with the claim that territory development is too costly without an exclusive.

Both sides have valid concerns, which are usually worked out through compromise such as meeting sales objectives prior to considering additional distributors.

Exclusive Distribution Agreements

In the exclusive distributorship agreement, the company agrees not to distribute its product through any of the distributor's competitors within a defined geographic territory.

The agreement frequently stipulates that the distributor likewise will not handle products of the company's competitors.

Exclusive agreements are typically found in high-tech industries involving sophisticated products requiring considerable product knowledge and expertise and extensive market development costs.

- **An example would be costly medical equipment.**
- **The exclusive distributor agreemet requires a leap of faith that the distributor will perform according to the company's expectations**

Exclusives are also common in luxury products such as very high-end automobiles. Since the exclusive constitutes an irrevocable "marriage" between the two parties during the term of the agreement, companies contemplating such an agreement should do the required due diligence before signing the contract.

A distribution agreement is one made between a manufacturer and a supplier to distribute and/or sell items manufactured. The supplier may make a distribution agreement with separate stores selling the product that involves how goods will be merchandised or how much supplies will available to the store. A distribution agreement may also include terms regarding advertising of a product.

Generally the manufacturer pays a fee to enter into a distribution agreement with a supplier.

However, a balanced distribution agreement will provide opportunities to make money for both the manufacturer and supplier.

Often the manufacturer makes the least money.

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- Generally the manufacturer pays a fee to enter into a distribution agreement with a supplier. However, a balanced distribution agreement will provide opportunities to make money for both the manufacturer and supplier. Often the manufacturer makes the least money.

2

- **For example, a farmer may enter into a distribution agreement with a produce supplier. The farmer will get a price for his wares, the supplier will then sell the wares for a larger price, and the supermarket will charge still more to consumers who wish to buy the farmer's products. Ultimately the three-tiered approach means everyone makes money, but the farmer makes the least.**

3

In other situations profits may be more equally shared. Perhaps a director has made a film, and signs a distribution agreement with a studio to market and sell the film to theaters. Additionally the distribution agreement might include marketing and selling the film to video stores at a later point. Both the filmmakers and the distributors will make money from such a distribution agreement.

DURATION

- A distribution agreement may include the specifics of how long the distributor will work for a set price, and the specific way in which the goods will be distributed.

- Usually a distribution agreement is fairly long so that the manufacturer knows his goods have the best chance of reaching the largest possible market.

SELLING GOODS

Some manufacturers choose not to use a distributor to disperse their goods. This may be the case when the inventory of goods is relatively small. For example, the farmer may have only a small farm, and may choose to sell his produce at local farmers' markets instead of selling produce to distributors. He may pay a small fee for distributing his goods at local farmers' markets, which is an informal distribution agreement.

AGENCY

DEFINITION

An **agency agreement** is a legal contract creating a fiduciary relationship whereby the first party ("the principal") agrees that the actions of a second party ("the agent") binds the principal to later agreements made by the agent as if the principal had himself personally made the later agreements. The power of the agent to bind the principal is usually legally referred to as authority

Manufacturers and suppliers of goods frequently appoint agents to act on their behalf in promoting sales, both in the home country of the manufacturer as well as overseas. A formal agreement is usually signed setting out the commission the agent will receive, the territory, duration and other terms on which the principal and agent will do business together.

Within the European Union, there is legislation designed to give some protection to agents, in particular the right to compensation in certain circumstances when an agency is terminated. The same applies in other parts of the world and in some countries it is necessary for a foreign manufacturer to appoint as agent an individual or company that is a national of the country where the agency will operate.

DIFFERENCES BETWEEN DISTRIBUTION AND AGENCY

AGENT

An agent should be distinguished from a distributor as a distributor will buy stock from the supplier or principal and then sell it on to his customers at a mark-up, whereas an agent will find customers for the principal who then sells direct to the customers and pays commission to the agent.

DITRIBUTOR

A manufacturer or a supplier of goods appoints an independent third party – the distributor – to market its goods.

The independent third party purchases the goods on his own account and trades under his own name as an authorised distributor.

His business name will usually have no connection with the name of the supplier of the goods nor will the supplier regulate the way in which the distributor operates his business other than, perhaps, to oblige the distributor to reach minimum turnover levels, to maintain advertising, to maintain minimum stocks both of goods and spare parts and to employ experienced servicing representatives.

The obligations on a distributor should be compared to the much more extensive restrictions which a franchisor seeks to impose on its franchisees. **Furthermore, no royalties are payable to the supplier by the distributor**. The supplier's profit arises from the difference between the price at which he manufactures or which he pays for the goods and the price at which he is able to sell the goods to the distributor.

AGENT

Agents do not purchase products in their own name. All contracts are made either directly by the supplier and the ultimate customer or by the agent on behalf of the supplier. A supplier imposes relatively few restrictions on his agents and these normally relate to:- what the agent can say about the supplier's products the price at which the products are sold the terms and conditions of sale.

	TRANSACTION / REMUNERATION	EXPENSES / OTHER PAYMENTS	MARKET CONTROL	RISK
DISTRIBUTOR	- purchases and sells on own behalf - difference between purchase and sale price	- undertaken by distributor, publicity expenses sometimes shared - none	weak although the contract can provide for reports on clients, etc…	undertaken by distributor
AGENT WITHOUT REPRESENTATION	submits orders to principal commissions on sales once price paid to principal	undertaken by agent except accounts and often publicity	principal knows the market through order	undertaken by principal
AGENT WITH REPRESENTATION	concludes contracts in name and on behalf of principal as agreed in agency contract	undertaken by agent except publicity as agreed in agency contract	contract can provide for visits to clients, etc	
AGENT EMPLOYEE	acts under the direct control of principal with or without representation salary and, if agreed, commissions	undertaken by principal onerous for principal as collective agreements and national assistance apply	principal has control	undertaken by principal

Since

There are various methods for a manufacturer or wholesaler to get its products to market. However, two of the most tried and tested methods are agency and distribution arrangements. Business people often use the terms "agent" and "distributor" interchangeably. However, there are important legal and practical distinctions between the two.

Agent VS Distributor

If a person or entity is an "**agent**", it represents the manufacturer and usually has the right to conduct business under the manufacturer's marks and name. Legally, it often means that the agent can bind the manufacturer contractually with a third party. An agent never takes title to the manufacturer's goods. Instead**, it enters into agreements with customers who then receive title to the goods directly from the manufacturer**. **The agent's profit comes from the commission that is earns from the manufacturer on each sale**. Any agency agreement must make clear the basis for calculating the commission and how returns or refunds are treated.

<u>A "**distributor**" is an independent person or entity that cannot</u> (unless contractually permitted to do so) <u>bind the manufacturer contractually to third parties</u>. The distributor buys the goods from the manufacturer and then re-sells its inventory to the customers. Its profit is derived from the mark-up or difference between the price that it purchased the goods from the manufacturer and the price that it charged its customers for the same goods.

Distributorship agreement

Principal

Distributorship agreement

Sells its products

Distributor

In a specific Territory: exclusive distributor

SELL THE PRODUCTS TO ITS THE CUSTOMERS

Non in a specific territory

Agency agreement

Company

Agency agreement

Agent

HE GETS A % TO EACH PRODUCTS HE MANAGES TO SELL

SELL THE COMPANY PRODUCTS TO THE CUSTOMERS IN THE COMPANY NAME

DISTRIBUTION and AGENCY IN THE NETHERLANDS

Agency legislation in Dutch Civil Code (DCC)

- **DCC: ORAL AGENCY contracts is allowed**

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Greece, Ireland, Luxembourg: WRITTEN CONTRACTS is mandatory

- Dcc Some conditions in writing however:

  -Non competition clause (max. 2 years)

The international sale and purchase agreement

Definition of Sale and Purchase (SPA)

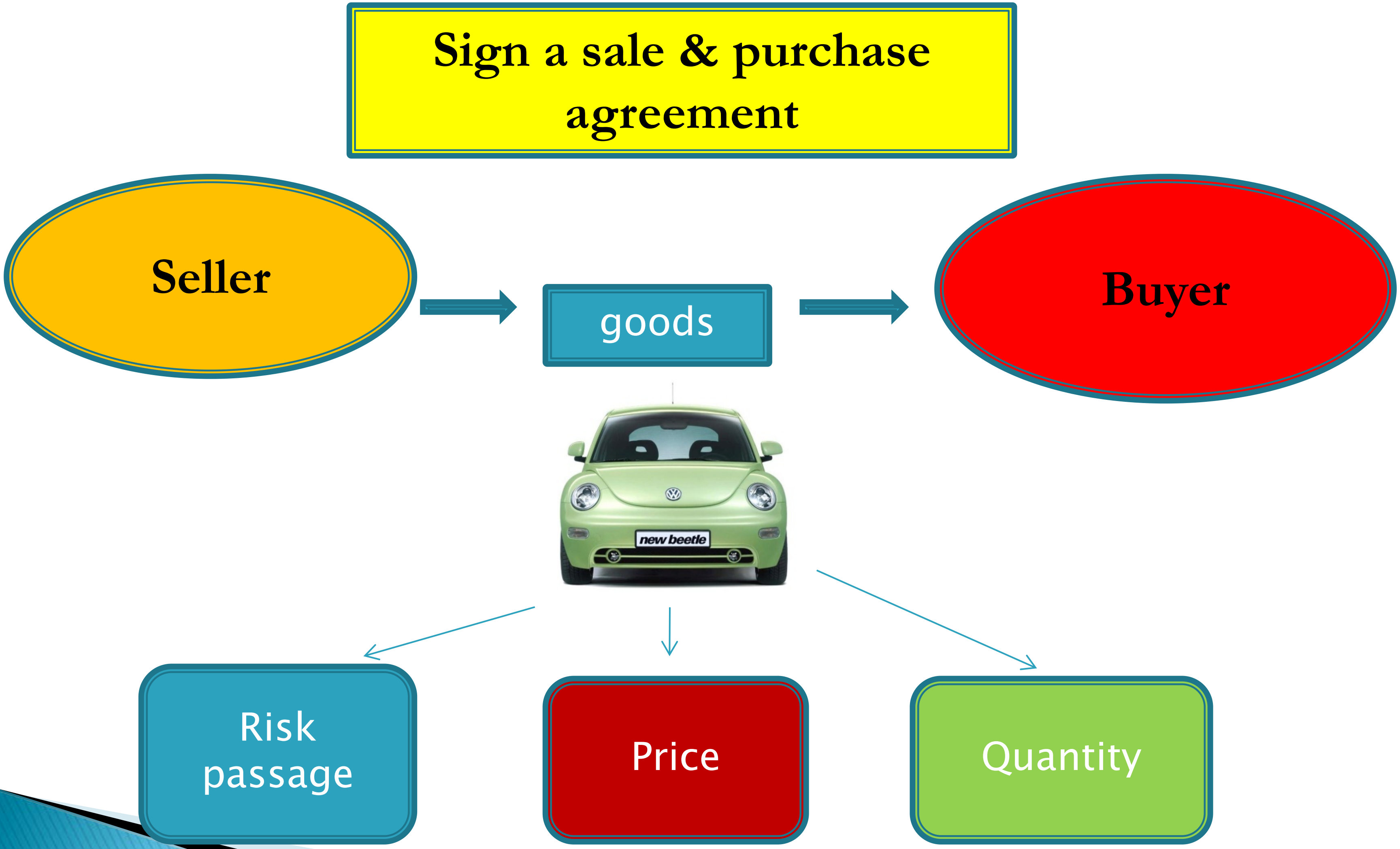
A legal contract that obligates a buyer to buy and a seller to sell a product or service. SPAs are found in all types of businesses but are most often associated with real estate deals as a way of finalizing the interests of both parties before closing the deal.

Sales and purchase agreements are also found in the upper supply chains of many large, publicly-traded companies.

They are set up to help both the suppliers and the purchasers forecast demand and costs, and become increasingly important as the size of the deals increases.

In any transaction, the Sale and Purchase Agreement (SPA) represents the outcome of key commercial and pricing negotiations. Purchasers and Sellers are becoming increasingly sophisticated in seeking to exploit the potential value to be gained through the negotiation and execution of the SPA.

Sale & Purchase agreement



The UNCITRAL 1980 Vienna Convention - Introduction.

The international sale of goods creates higher problems than the ones that may occur in national sales, such as:

- Cost and form of delivery (transportation).
- Attribution of risk of loss or damage.
- Payment (exchange rates, fluctuation of exchange rates).

These problems are the major issues which are commonly ruled in international trade contracts.

The 1980 Vienna Convention - Introduction

1980 - United Nations Convention on Contracts for the International Sale of Goods (CISG).

Adopted by a diplomatic conference on 11 April 1980, the Convention establishes a comprehensive code of legal rules governing the formation of contracts for the international sale of goods, the obligations of the buyer and seller, remedies for breach of contract and other aspects of the contract.

The Convention entered into force on 1 January 1988.

- The **United Nations Convention on Contracts for the International Sale of Goods** (also referred to **CISG**) is a treaty offering a uniform international sales law that, as of July 2008, had been ratified by 71 countries that account for a significant proportion of world trade, making it one of the most successful international uniform laws. Japan is the most recent state to have ratified the Convention.

- The CISG was developed by the United Nations Commission on International Trade Law (UNCITRAL) and was signed in Vienna in 1980. The CISG is sometimes referred to as the **Vienna Convention** (but is not to be confused with other treaties signed in Vienna).

- It came into force as a multilateral treaty on 1 January 1988, after being ratified by eleven countries.

- CISG has been regarded as a success for UNCITRAL as the Convention has since been accepted by States from ‘every geographical region, every stage of economic development and every major legal, social and economic system.

Formation of an international sales contract

Classic way:

Offer and Acceptance. An offer may also appear in form of an order, that is performed by the other party.

Battle of Forms: Often the parties exchange orders and acceptances or counterorders in forms, that are accompanied by the general contractual conditions.

The question hereby arises, if a contract was made (matching orders) and what its contents are.

THE INCOTERMS

INCOTERMS 2010

by the International Chamber of Commerce (ICC)

ICC rules for the use of domestic and international trade terms

Academic year 2014/2015

- It is essential for shippers to know the exact status of their shipments in terms of ownership and responsibility.

- It is also vital for sellers & buyers to arrange insurance on their goods while the Goods are in their "legal" possession. Lack of insurance can result in wasted time, lawsuits, and broken relationships.

- INCOTERMS can thus have a direct financial impact on a company's business. What is important is not the acronyms, but the business results. Often companies like to be in control of their freight.

- That being the case, sellers of goods might choose to sell CIF, which gives them a good grasp of shipments moving out of their country, and buyers may prefer to purchase FOB, which gives them a tighter hold on goods moving into their country.

Warranties and liabilities: the risk passage.

The seller usually guarantees certain characteristics of the product for a certain period of time, but would generally seek to limit this guarantee as far as possible.

Laws on product liability are usually strict and can not be altered by contract. Only the amount of damage can be reduced. (ceiling)

Clauses on warranty are usually followed by clauses concerning indemnification and regulation concerning the non fulfilment of the assumed obligation.

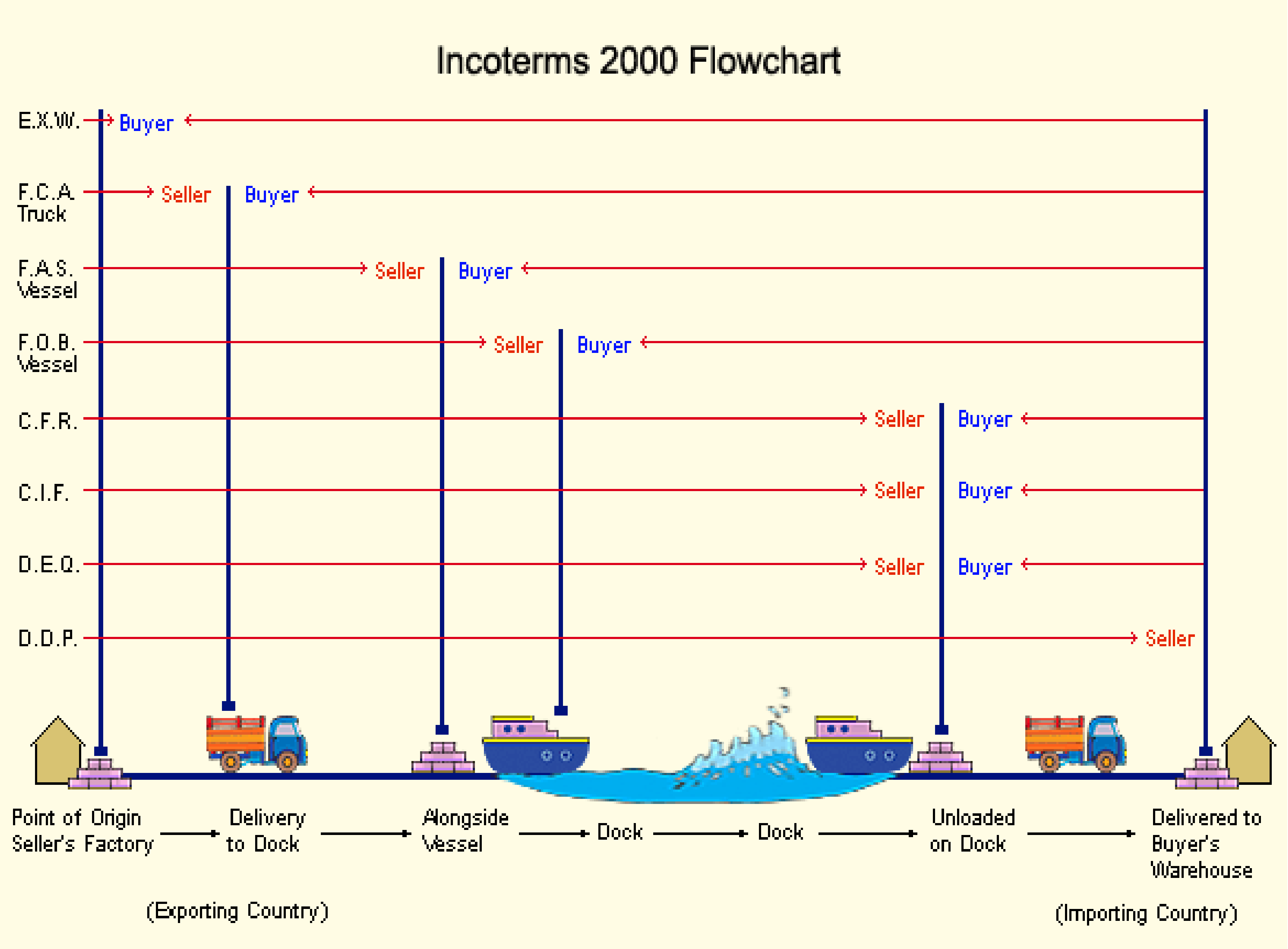
Incoterms are standard trade definitions most commonly used in international sales contracts. Devised and published by the International Chamber of Commerce, they are at the heart of world trade.

Each group means additional responsibilities and costs for the exporter. For example, the most commonly used terms under each of these groups are: Ex Works (EXW), Free Alongside Ship (FAS), Free On Board (FOB), Cost and Freight (CFR), Cost, Insurance and Freight (CIF), and Delivered Duty Paid (DDP.

INCOTERMS

ICC introduced the first version of Incoterms - short for "International Commercial Terms" - in 1936. Since then, ICC expert lawyers and trade practitioners have updated them six times to keep pace with the development of international trade (actual version 2004).

The first letter is an indiction of the group to which the term belongs.


Incoterms 2000 Flowchart
E.X.W.
Buyer
F.C.A. Truck
Seller
Buyer
F.A.S. Vessel
Seller
Buyer
F.O.B. Vessel
Seller
Buyer
C.F.R.
Seller
Buyer
C.I.F.
Seller
Buyer
D.E.Q.
Seller
Buyer
D.D.P.
Seller
Point of Origin Seller's Factory
Delivery to Dock
Alongside Vessel
Dock
Dock
Unloaded on Dock
Delivered to Buyer's Warehouse
(Exporting Country)
(Importing Country)

EXW - Ex-Works, named place where shipment is available to the buyer, not loaded.
The seller will not contract for any transportation.

International Carriage NOT Paid by Seller

FCA - Free Carrier, unloaded at the seller's dock OR a named place where shipment is available to the international carrier or agent, not loaded.
This term can be used for any mode of transport.

FAS - Free Alongside Ship, named ocean port of shipment.
Ocean shipments that are NOT containerized.

FOB - Free On Board vessel, named ocean port of shipment.
This term is used for ocean shipments only where it is important that the goods pass the ship's rail.

International Carriage Paid by the Seller

CFR - Cost and Freight, Named ocean port of destination.
This term is used for ocean shipments that are not containerized.

CIF - Cost, Insurance and Freight, named ocean port of destination. This term is used for ocean shipments that are not containerized.

CPT - Carriage Paid To, named place or port of destination. This term is used for air or ocean containerized and roll-on roll-off shipments.

CIP - Carriage and Insurance Paid To, named place or port of destination. This term is used for air or ocean containerized and roll-on roll-off shipments.

Arrival At Stated Destination

DAF - Delivered At Frontier, named place of destination, by land, not unloaded. This term is used for any mode of transportation but must be delivered by land.

DES - Delivered Ex-Ship, named port of destination, not unloaded. This term is used for ocean shipments only.

DEQ - Delivered Ex-Quay, named port of destination, unloaded, not cleared. This term is used for ocean shipments only.

DDU - Delivered Duty Unpaid, named place of destination, not unloaded, not cleared. This term is used for any mode of transportation.

DDP - Delivered Duty Paid, named place of destination, not unloaded, cleared. This term is used for any mode of transportation.

Agreements relating to the transfer of technology

Licence agreement

Know-how and licence agreement

definition

With a licence agreement one party (often called the "holder" of the licence or licencor) transfers intellectual property to another party (called the licensee).

License agreement

Sign a license agreement

Licensor → object → Licensee

object:

- brands
- Know-how
- Patents

GUCCI

The United States of America

The Director of the United States Patent and Trademark Office

Has received an application for a patent for a new and useful invention. The title and description of the invention are enclosed. The requirements of law have been complied with, and it has been determined that a patent on the invention shall be granted under the law.

Therefore, this

United States Patent

Grants to the person(s) having title to this patent the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States of America or importing the invention into the United States of America for the term set forth below, subject to the payment of maintenance fees as provided by law.

If this application was filed prior to June 8, 1995, the term of this patent is the longer of seventeen years from the date of grant of this patent or twenty years from the earliest effective U.S. filing date of the application, subject to any statutory extension.

If this application was filed on or after June 8, 1995, the term of this patent is twenty years from the U.S. filing date, subject to any statutory extension. If the application contains a specific reference to an earlier filed application or applications under 35 U.S.C. 120, 121 or 365(c), the term of the patent is twenty years from the date on which the earliest application was filed, subject to any statutory extensions.

Director of the United States Patent and Trademark Office

Example of certificate of patent

CERTIFICATE OF GRANT OF PATENT

In accordance with Section 24(2) of the Patents Act, 1977, it is hereby certified that a patent having the specification No 2218187 has been granted to Nelson J Kruschandl, in respect of an invention disclosed in an application for that patent having a date of filing of 6 May 1988 being an invention for "Automobile combination lever control or joystick"

Dated this Tenth day of June 1992

Paul Hartnack

P.R.S. HARTNACK

Comptroller-General of Patents, Designs and Trade Marks.

UNITED KINGDOM PATENT OFFICE

Nelson J Kruschandl
c/o Nelson J Kruschandl
"Oakwood"
Lime Park
Hertsmonceux
East Sussex
BN27 1RF

Such intellectual property can appear in two different forms, each of which requires special contractual clauses

1. transfer of brands or patents

They are mostly strictly defined, registered and enjoy protection like any proprietary right.

2. transfer of know-how. Know-how can hardly be defined and can not be registered.

However, it is not freely available on the market. It does not enjoy any special protection, but by the secrecy of its holder.Most licence agreements contain parts of both objects, brands or patents and know how. Such agreements are called *Composite Licence Agreements* or *Package Licence Agreements*

Licence agreements save money and time as they allow somebody to use existing and approved know-how and research and development work made by someone else.

The holder of a licence can earn profits without having to spend money on the production and distribution of products. He transfers related risks to the licensee.

Some countries strongly encourage local production, made possible through a licence agreement, than importing foreign products.

Object of a licence

As stated above, the object of a licence agreement might be a brand or patent, simple Know-how or both together.

Brands and patents are defined, mostly registered, protected by proprietary rights and easier to handle.

Simple Know-how is hard to describe and can be far more complex. As its protection relies on the secrecy of the holder, he must protect himself by contractual clauses, also against third parties.

Know-how licensing often demands further performances, such as information, technical assistance, training for employees,….

The expression "transfer of know how" is often used, but does not mean much in legal terms. Licence agreements grant special rights to use, produce or profit from an existing knowledge.

Disadvantages of licence agreements

If the holder is paid in royalties and the licensee appears to be incapable or unsuitable to use the know-how properly, the holder might not earn very much.

After termination of the licence agreement, the licensee can be a direct competitor, because of the difficulty of limiting someone to use what he knows.

This can be avoided by transferring property rights (brands, patents) or by limiting the use of know how to a particular territory. With the undefined character of know how this problem seems to be even bigger.

The licensee must be careful to obtain a useful product, which is not out of time and must secure his right to receive updates, too.

Limits of licence agreements

“tie in clause”: it obliges the licensee to obtain services and products only from the holder of the licence, even if they are not related to the licence agreement.

clauses that forbid the use of technology of other, competing companies even outside the licence agreement.

clauses, that give an absolute territorial exclusivity to a licensee in order to exclude any possibility of exportation by him.

clauses that determine a minimum or maximum duration of licence agreements.

- clauses that forbid the use of know how after termination of the contract.

Range of a licence agreement

It is necessary to distinguish if a licence agreement covers only the simple transfer of a know-how or if the holder guarantees a special result, too.

The contract must describe clearly, if the holder has to perform further obligations, so that the licensee can use the know-how or if it is enough to simply transfer know-how and leave it to the licensee to make proper use of it.

In the first case, the holder carries the risk of an incapable licensee, as he guaranteed the usability of the licence. He might be obliged to provide a huge amount of training and assistance to the licensee.

Sub-licensing agreement

Example: sub-licensing and assignment of licence

ARTICLE 14 - ASSIGNMENT AND SUB-LICENSING

14.1. This Agreement is made by the Licensor in consideration of the technical and commercial knowledge and experience owned by the Licensee. Consequently, without the prior written agreement of the Licensor, the Licensee shall not have the right to assign to third parties, in whole or in part, any of the rights herein granted in relation to the Know-How and its use for manufacturing and selling the Licensed Products.

14.2. Additionally, the Licensee shall not sub-licence to any third party, in any form whatsoever, its rights hereunder in relation to the Know-How and its use for manufacturing and selling the Licensed Products.

Limitation to a special territory

The licensor often seeks to limit the activities of one licensee to a particular territory in order to avoid competition between himself, other licensees and other distributors. Such limitations also increase the profits he can make out of the Know-how.

For the licensee, on the other hand, such limitations are disadvantageous if not impossible. Limited to one region his profitability might be too low and he might suffer from the impossibility to earn foreign money by exporting his product.

Some legal systems therefore prohibit any absolute limitation on territory for a local licensee. On the other hand, they mostly don't grant absolute freedom to export to the licensee.

The solution to the problem must be found in between: The licensor can forbid export only into countries where he has other means of distribution (other licensee, distributors,…), he may grant non-exclusive licenses

Often licensors can allow exports anywhere but limit the licensee to export his products only via the licensor's organization of distribution

Exports sometimes are allowed in the first place, but limited by a condition if the licensee proves to be incapable.

Costs of a licence

1

- There are different modes of payment for the licensee: Either he pays a lump sum or he pays royalties. Usually it is a mixture of both.
- A lump sum is a fixed sum, stipulated in the contract. It is often paid in instalments. Each instalment may be subject to the performance of further services of the licensor (technical assistance, training,…).

2

- Royalties are paid for each product, that was produced using the licence or as a percentage of the licensee's accounts of the sold products. The licensee often deduct costs for acquisitions from the licensor (such as other product parts or services

3

- Royalties can be based on the gross or net sale price. The net sale price as a basis is preferable for the licensee, as, otherwise, he would pay a part of production costs, custom costs or taxes to the licensor, that have nothing to do with the acquired know-how as object of the licence agreement.

How to evaluate a licence

First of all the licensee must estimate how much profit he can make by using the transferred know how. Is there a good market for the product?

He must then compare the prices of competitors, to be able to present products with compatible prices.

A part of the licensor's development costs must be attributed to the licensee.

The licensee must take investment costs into account, that he will suffer in order to commercialize his product.

Finally, the parties have to take into account, how easy it would be to obtain a similar technology.

Important elements concerning the payment of the licence

First element

If the licensor is paid royalties based on his accounts, these accounts must be clear and properly managed. The licensor may want to reserve a right to examine these accounts either by himself or by an independent third party.

Second element

- As royalties depend on the sale of the products, the licensee must be able to sell his products and work to sell them. Otherwise the licensor does not get any payment. Often the parties agree on a minimum payment, that is independent of the amount of products sold

Third element

- Exchange rates are always an important issue within international contracts. The licensee receives payment at a different time than he will pay royalties to the licensor. There must be an agreement on the risk of fluctuation of exchange rates

Termination of the agreement

1

- In general the licence agreements cover a long term, as the licensee seeks to use the technology efficiently and the payment to the licensor depends on this use.

2

•If patents have been licensed, the agreement often ends with the time limit of the registered patent. (Though the licensing of a patent only is quite rare.)

3

•The parties have to agree on the proceedings after termination.

Termination of the agreement

- The easiest way would be to oblige the licensee to stop using the know how and to return all documents.

- This is often hard, if not impossible because of following reasons:

- the licensee himself made high investments and will not like to stop producing immediately
- the efficiency of such a clause is generally in doubt: Once the licensee knows the "know-how", he might easily produce similar products without using the licence or documentation of the licensor. With the licence agreement the licensor would simply have created a new competitor.

- Therefore the licensor often allows the licensee to use the know-how also after termination of the contract, but makes other limitations or conditions, such as:

  - end of technical assistance,
  - end of territorial exclusivity,
  - licensee must respect exclusive territorial rights of other licensees,
  - obligation to keep know-how in secrecy (confidentiality clause).

Example: Simple termination of the relation

ARTICLE 18 - POST TERMINATION OBLIGATIONS

18.1. Upon the expiry or early termination of this Agreement, the Licensee shall finally cease to use or otherwise exploit the Know-How and/or the Licensed Patents, conditional on the Know-How being still secret (or it became public knowledge as a consequence of a fault of the Licensee) and the Licensed Patents still valid and in force.

18.2. For this purpose, and upon request of the Licensor, the Licensee shall return to the Licensor any and all the documentation representing the Know-How as received by the Licensor itself throughout the term of the Agreement.